



# Supplemental Insurance Contract Overview and Recommendations

April 8, 2019



# Supplemental Benefits Program

**Background:** The Statewide Supplemental Benefits Program began in July 2015 as outlined in Del Code Title 29 Chapter 52C. Benefits offered under the program are available to all benefit eligible State of Delaware employees and University of Delaware employees. This is an employee pay-all program allowing those who enroll to pay for their benefit elections through a post-tax general deduction taken from their paycheck.

Following a Request for Proposal (RFP) in 2015, administration of the program was awarded to Aflac Group who provides Accident Advantage and Critical Illness supplemental benefit plan options. The current contract terminates on June 30, 2020.

**Eligible Groups:** Actively-at-work, benefit, pension eligible permanent part-time (15 hours or more each week) or permanent full-time (30 hours or more each week) employees of Merit Agencies, School Districts, Charter Schools, Higher Education and University of Delaware employees. Non-Medicare retirees and pensioners are not eligible.

**Rate/Cost Structure:** Rates vary based on benefit and coverage amounts.

# Supplemental Benefits Legislation

## Legislative Provisions:

- The insurance shall offer income indemnity coverage that is guaranteed renewable for accident, cancer, and critical illness to cortical care and recovery.
- This is an employee-pay-all program with no premium cost or administrative fees to the State.
- The carrier shall be licensed in Delaware and maintain a claims loss ratio not less than 60%.
- The SEBC will review the volume of employee participation and may, on or after July 1, 2020, use its discretion to vote to restructure, modify, or terminate the program.

# Supplemental Benefits Enrollment

## State of Delaware Employee Contracts

	Implementation	FY16	FY17	FY18	FY19	% of Population*
Aflac Group Accident Insurance – High	393	456	466	527	584	<b>1.57%</b>
Aflac Group Accident Insurance – Low	207	245	249	260	285	<b>0.77%</b>
Aflac Group Critical Illness Insurance – Employee	447	521	520	546	609	<b>1.64%</b>
Aflac Group Critical Illness Insurance – Spouse	202	242	235	248	279	<b>0.75%</b>

*\*Currently based on 37,000 Eligible State of Delaware Employees*

# Supplemental Benefits Enrollment

## University of Delaware Employee Contracts

	Implementation	FY16	FY17	FY18	FY19	% of Population*
Aflac Group Accident Insurance – High	40	42	47	48	48	<b>.92%</b>
Aflac Group Accident Insurance – Low	19	22	33	32	37	<b>.71%</b>
Aflac Group Critical Illness Insurance – Employee	42	44	54	57	61	<b>1.16%</b>
Aflac Group Critical Illness Insurance – Spouse	17	18	24	24	27	<b>.52%</b>

*\*Currently based on 5,220 Eligible University of Delaware Employees*

# Supplemental Benefits Claims Loss Ratio

Total Event Year	FY16	FY17	FY18	FY19 First Half	Total
Earned Premium	461,793	482,934	480,669	264,504	1,689,900
Incurred Claims	165,262	262,262	164,490	51,663	643,677
Loss Ratio	35.79%	54.31%	34.22%	19.46%	<b>38.09%</b>

Accident Event Year	FY16	FY17	FY18	FY19 First Half	Total
Earned Premium	185,622	192,779	203,809	112,774	694,984
Incurred Claims	82,025	76,857	55,940	26,088	240,910
Loss Ratio	44.19%	39.87%	27.45%	23.13%	<b>34.66%</b>

Critical Illness Event Year	FY 16	FY17	FY18	FY19 First Half	Total
Earned Premium	276,171	290,155	276,860	151,730	994,916
Incurred Claims	83,237	185,405	108,550	25,575	402,767
Loss Ratio	30.14%	63.90%	39.21%	16.86%	<b>40.48%</b>

# Claims Loss Ratio Compliance Fund

- Effective May 1, 2018, Aflac Group must establish and maintain a “Claims Loss Ratio Compliance Fund.”
- Aflac Group is required to designate a sufficient amount of funds to the account, so that when combined with the incurred claims amount, Aflac Group will meet the 60% minimum Claims Loss Ratio.
- Upon the contract’s termination, Aflac will be required to distribute the account funds to Qualifying Certificate Holders (QCHs).
  - A QCH is any employee who paid a minimum of twelve (12) months of premiums.
- Aflac Group will allow for six months after the termination of the contract before finalizing Claims Loss Ratio to allow for claim runout.
- Payment must be made to the QCHs within 30 days after the final balance has been calculated.
- Failure to comply will be a violation of 29 Del. C. § 5292 and will be referred to the Insurance Commissioner for enforcement action.

# Supplemental Benefits Considerations

- There is low enrollment/participation in the Supplemental Benefits by Aflac Group.
  - Currently less than 3% of eligible employees are enrolled in at least one of the offered plans.
- The program administration is managed by the Statewide Benefits Office; a partial FTE oversees the program and provides member customer service.
- The claims loss ratio has not been maintained at less than 60%.
  - Current claims loss ratio total is 38.09% through the first half of year four.
- Continuation of supplemental benefits beyond June 30, 2020 requires request for proposal/bid solicitation to be advertised by late summer 2019.

# Recommendations & Next Steps

- SEBC Health Policy & Planning Subcommittee recommends:
  - The SEBC continue administration of an accident, cancer and critical illness supplemental benefit;
  - Direct the SBO to develop and advertise an RFP for administration of the above supplemental benefits for a July 1, 2020 effective date.

## **Next Steps:**

- SEBC votes on approval and/or modification of the recommendations of the Health Policy & Planning Subcommittee at today's meeting or the May 6, 2019 meeting.